

CITY OF WIOTA, IOWA

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD
APRIL 1, 2022 THROUGH MARCH 31, 2023

CITY OF WIOTA, IOWA
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CITY OF WIOTA, IOWA
OFFICIALS
MARCH 31, 2023

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Ford Lillard	Mayor	January, 2022	January, 2024
Jeff Lillard	Mayor Pro-tem	January, 2022	January, 2026
Steven Havens	Council Member	January, 2020	January, 2024
Jim Fisher	Council Member	January, 2020	January, 2024
Charlie Bechtold	Council Member	January, 2022	January, 2026
Bryon Armstrong	Council Member	January, 2022	January, 2026
Peter Molgaard	City Clerk		Indefinite
David Wiederstein	City Attorney		Indefinite

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor
and Members of City Council

We performed the procedures below, which were established at Iowa Code Chapter 11.6, to provide oversight of Iowa cities. Accordingly, we have applied certain procedures to selected accounting records and related information of the City of Wiota for the period April 1, 2022 through March 31, 2023, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Wiota's management, which agreed to the performance of the procedures performed, is responsible for compliance with these requirements and for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The City of Wiota's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose to report, in accordance with Chapter 11.6 of the Code of Iowa, recommendations pertaining to selected accounting records and related information of the City including the City's compliance with certain Code of Iowa requirements. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures we performed are summarized as follows:

1. We observed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We obtained an understanding of the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We observed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and observed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances, journal entries and monthly financial reports provided to the City Council.

To the Honorable Mayor
and Members of City Council

5. We scanned City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We observed the City's fiscal year 2022 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. The City had no investments.
8. We scanned depository resolutions, the City's investment policy and reporting of unclaimed property to the State of Iowa to determine compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa.
9. We scanned debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. The City had no TIF.
11. We traced selected receipts for accurate accounting and consistency with the recommended COA.
12. The City had no voter approved levies.
13. We traced selected disbursements to proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. The City had no transfers.
15. We traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether payroll was proper.
16. We observed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various findings and recommendations for the City. Our findings and recommendations are described in the Detailed Findings and Recommendations section of this report. Unless reported in the Detailed Findings and Recommendations, no exceptions were noted during the performance of the specific procedures listed above.

To the Honorable Mayor
and Members of City Council

We were engaged by the City of Wiota's management to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on specific accounting records and related information of the City, including compliance with specific Code of Iowa requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City of Wiota and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting findings and recommendations pertaining to selected accounting records and related information of the City, including the City's compliance with certain Code of Iowa requirements. This report is not suitable for any other purpose.

Barnewold, Bell, Kuhn & Co. P.C.

Atlantic, Iowa
November 2, 2023

DETAILED FINDINGS AND RECOMMENDATIONS

CITY OF WIOTA, IOWA

Detailed Findings and Recommendations

For the period April 1, 2022 through March 31, 2023

- (A) Segregation of Duties - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements. Generally, one individual has control over each of the following areas for the City:

- (1) Cash - handling, reconciling and recording.
- (2) Receipts - opening mail, collecting, depositing, recording, reconciling and posting.
- (3) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll - recordkeeping, preparing and distributing.
- (5) Utilities - billing, collecting, depositing and posting.
- (6) Financial reporting - preparing and reconciling.
- (7) Journal entries - preparing and recording.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

- (B) Chart of Accounts - The City has not implemented the recommended Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee.

Recommendation - To provide better financial information and control, the recommended COA, or its equivalent, should be followed.

- (C) City Council Minutes - Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published with a list of claims allowed, including the reason for the claim. The City Council minutes tested published a list of claims allowed, but the list did not include the reason for the claim.

Recommendation - The City should comply with the Code of Iowa and publish a list of claims allowed, including the reason for the claim.

- (D) Investment Policy - The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation - The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

CITY OF WIOTA, IOWA

Detailed Findings and Recommendations

For the period April 1, 2022 through March 31, 2023

- (E) Certified Budget - Disbursements during the year ended June 30, 2022 exceeded the amounts budgeted in the public safety, culture and recreation, community and economic development, general government and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (F) Separately Maintained Records - Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee, or other person, and which show the receipt, use, and disposition of all city property."

The City Fire Department maintains a bank account for activity separate from the City Clerk's accounting records. While the Department is part of the City, the transactions and the resulting balance were not included in the City's accounting records and were not included in the City's annual budget, monthly financial reports or Annual Financial Reports.

In addition, the transactions and resulting balance of this account were not reported to the City Council and disbursements from the account were not reviewed and approved by the City Council. Also, a summary of the account's receipts, total disbursements and the listings of claims allowed each month were not published in accordance with Chapter 372.13(6) of the Code of Iowa.

Recommendation - In accordance with Chapter 384.20 of the Code of Iowa, and to strengthen internal control and increase operating efficiencies, the financial transactions of the Fire Department separate account should be integrated with the City's accounting records in the City Clerk's office. The financial activity should be included in the City Clerk's accounting records, monthly financial reports and the Annual Financial Reports. The activity in the account should be subject to City Council review and approval and should be included in the City's budget process. Also, a summary of the account's receipts, total disbursements and listings of claims allowed each month should be published, as required.

- (G) Local Option Sales Tax - The City's LOST ballot requires LOST receipts be used 90% for community betterment and 10% for property tax relief. The City has not been tracking the use of LOST receipts.

Recommendation - The City should implement procedures to track LOST disbursements and transfers to ensure LOST receipts are being used in accordance with the ballot.

CITY OF WIOTA, IOWA

Detailed Findings and Recommendations

For the period April 1, 2022 through March 31, 2023

- (H) Annual Financial Report - The amounts reported for long-term debt outstanding on the June 30, 2022 Annual Financial Report did not agree to City records.

Recommendation - The City should ensure the current year Annual Financial Report long-term debt schedule agrees with the actual long-term debt issued, retired and outstanding during the fiscal year.

- (I) General Obligation Debt - The City has a general obligation debt with USDA for the purchase of a fire truck; however, the City has not established a Debt Service Fund to record the payments on the general obligation debt. Chapter 384.4 of the Code of Iowa states, in part, "Moneys pledged or available to service general obligation bonds, and received from sources other than property taxes, must be deposited in the debt service fund." The City paid general obligation debt from funds other than the Debt Service Fund.

Recommendation - The City should establish a Debt Service Fund. Additionally, the City should transfer funds to the Debt Service Fund to pay general obligation debt.

- (J) Outstanding Check Listing - The listing of outstanding checks should include check number, amount and date written for each listed outstanding check. For the two months tested, the listings did not include the date written.

Recommendation - The City should establish procedures to ensure the listing of outstanding checks contains all the required information.

- (K) Monthly Financial Information - The Monthly Clerk's Report presented to the City Council for approval does not contain beginning and ending fund balances for each fund. Therefore, we were not able to determine if there were any fund deficit balances or if the RUT funds are spent for its restricted purpose.

Recommendation - The beginning and ending fund balances should be included in the monthly reports presented to the City Council for approval.

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